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 S-6763

CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

CIA/OER/S-06763-75 3 MAR 1975

MEMORANDUM FOR: Mr. Howard L. Worthington
Deputy Assistant Secretary for
Trade and Investment Policy
Department of the Treasury

SUBJECT : Transmittal of CIA Analysis of World Supply and Demand for Grain, 1974/75

1. In response to a request by your office we are transmitting an update of our 9 December 1974 study of the World Supply/Demand Situation for Grain [redacted] 25X1

25X1 [redacted]

2. The annex on selected countries has been reduced to reflect only those where changes have occurred since last November.

3. Because of the possible interest of other governmental components in this subject, this Office may send the attached paper to other interested officials.

4. Queries concerning the attached contribution should be directed to [redacted]
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25X1A9A [redacted]

Attachment:
As stated

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[redacted]

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[redacted]

1 - Mr. DuSault, OMB
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WORLD SUPPLY AND DEMAND FOR GRAIN, 1974/75

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REPORT No. 3

OFFICE OF ECONOMIC RESEARCH
CENTRAL INTELLIGENCE AGENCY
28 FEBRUARY 1975

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WORLD SUPPLY AND DEMAND FOR GRAIN, 1974/75

INTRODUCTION

This updates our 9 December 1974 report on alternative estimates of world export supply and demand for grain (excluding rice). [redacted] 25X1

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A forecast of the 1974/75 world grain supply/demand still must be tentative. Supply and export availability estimates include forecasts of coarse grain not yet harvested in the Southern Hemisphere. Demand analysis is hindered by limited knowledge on the full impact of the economic recession on utilization of grain for feed both here and abroad. Also, there is an incomplete understanding of how worldwide inflation is affecting effective demand, especially in the LDCs.

Appendix A provides a discussion on the grain situation in selected individual countries. [redacted] 25X1 25X1

KEY FINDINGS

- The world grain situation has eased slightly over the past two months, more so for wheat than corn.
- Total availability of wheat by major exporters exceeds import demand of 65.3 million tons by 2 million tons* on the strength of less wheat being fed to livestock in the US and the EC than expected earlier.
- World stocks of wheat and corn will still be drawn down by over 20 million tons this year -- mostly in the US -- to a new low.
- We estimate foreign demand for US wheat at 31.2 million tons compared to USDA's 29.95 million tons, reducing 30 June 1975 carryover stocks to 5.6 million tons.
- World feedgrain production for 1974/75 is 6.7% below last year; corn production in exporting countries is off 11%.
- World import demand for corn in 1974/75 at 41.8 million tons exceeds export availability by about 2.5 million tons.
- We estimate MY 75 foreign demand for US corn at 28.2 million tons, 3.4 million tons higher than USDA. This level of export is possible only if domestic consumption falls more than the 16.4% now projected. Otherwise prices can be expected to strengthen.
- The brunt of the shortfall in feedgrain production this year has been borne by the US livestock producer. Only the US shows a drop in feedgrain consumption from the high level of 1973/74.

* Metric tons are used throughout this report.

WHEAT: SUPPLY/DEMAND SITUATION 1974/75

1. The world supply-demand balance for wheat has eased moderately since December. However, the situation is expected to remain relatively tight until Northern Hemisphere spring planted crops are harvested in the fall of 1975. Although world carryover wheat stocks will be slightly larger than previously projected, ending stocks will still be below last year. Therefore next year's export requirements are more dependent than ever upon an increase in wheat output in Canada, Australia, Argentina, as well as the US.

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WORLD WHEAT PRODUCTION, 1974/75

[redacted]

25X1 [redacted] estimates that world wheat production is about 346 million tons, 21 million tons short of last years record harvest. [redacted] 25X1

25X1 [redacted] Record harvests in the US and Europe were not sufficient to offset a 26 million ton drop in the Soviet crop and lesser shortfalls in other regions. (See Table 1)

3. Minor changes in production estimates for the major exporters have occurred since December. Argentine output was cut 800,000 tons by drought, while final results in the US, Australia, and the EC were up a total of 1.2 million tons. The

TABLE 1

WORLD WHEAT PRODUCTION[a/]

(In million metric tons)

Country or Region	1972/73	1973/74	Projection for 1974/75 CIA
Argentina	6.9	6.6	5.0
Australia	6.4	12.1	11.7
Canada	14.5	16.5	14.2
East Europe	30.6	31.6	33.4
India	26.4	24.7	22.1
West Europe	51.4	50.7	55.9[b/]
USSR	86.0	109.8	83.8
USA	42.0	46.4	48.8[b/]
Other	70.7	68.4	71.2[b/]
Total	334.9	366.8	346.1

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a/ Production data include all harvestings occuring in the July-June year shown

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quality of the Canadian crop, as predicted in December, was the worst in years. Over 3 million tons or 21% of the harvest was classified as utility or feed grade wheat compared to the usual 1%.

EXPORT AVAILABILITIES

4. The availability of wheat for export in FY 75 has gone up about 3 million tons since our December estimate. This resulted from smaller than expected quantities of wheat being fed to livestock in the EC and an increase in the US crop. We estimate a maximum export availability of 67.6 million 25X1

tons [redacted]

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5. The EC and Australia will have larger surpluses to export than a year ago without drawing down stocks. However, for the other major exporters -- the US and Canada -- the maximum amount of wheat available for export is based on a drawdown in stocks by 30 June 1975 to minimum acceptable levels.

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TABLE 2

WORLD EXPORTS OF WHEAT AND FLOUR

(million metric tons)

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Country	FY 73	FY 74	Availabilities FY 75 CIA
Argentina	3.5	1.1	2.3
Australia	5.6	5.5	9.0
Canada	15.6	11.7	11.3
West Europe[d/]	6.5	5.8	8.2
USSR	1.3	5.0	3.3
US	31.8	31.1	32.0[e]
Other	2.9	1.6	1.5
Total	67.2	61.8	67.6

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WORLD IMPORT DEMAND FOR WHEAT, FY 1975

6. We estimate that the total world import demand for wheat since December has increased by about one million tons to 65.3 million tons. [redacted] The drop in wheat prices and higher than previously expected levels of PL-480 aid have contributed to the increase in effective import demand.

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7. Total imports of about 65 million tons would exceed last year's level by over 3 million tons, only 2 million tons short of the record set in FY 73. The major increase in import requirements this year are for the near East and south Asia regions of about 6 million tons. This sizable increase is only partially offset by smaller import requirements for Europe and South America. (See Table 3)

8. Projections of FY 75 import demand for wheat, while more firm than 2 months ago, still contain a number of uncertainties, such as:

- The outcome of the spring grain harvests in South Asia, especially for India;
- Whether wheat prices remain at roughly current levels or fall more, which could stimulate demand;

TABLE 3

WORLD IMPORTS OF WHEAT, FY 74 AND ESTIMATED FY 75

(In Thousand Metric Tons) 25X1

Region	FY 1974	FY 1975[a] CIA (25 Feb)	
Europe	16,050	13,817	[redacted]
West Europe	7,554	6,622	
East Europe	4,107	4,275	
USSR	4,389	2,920	
Western Hemisphere	9,118	8,204	
North and Central America	2,590	2,710	
South America	6,528	5,494	
Asia	28,029	34,561	
Near East	4,016	6,317	
Far East	24,013	28,244	
Africa	8,448	8,460	
Oceania	188	299	
World Total	61,909	65,341	

[redacted]

- Whether the prevailing North African drought raises import requirements more than now projected; and

- Whether all of the PL-480 wheat programmed for FY 75 will be shipped by 30 June 1975.

FOREIGN DEMAND FOR US WHEAT

9. CIA forecasts the FY 75 export demand for US wheat (including flour) at nearly 31.2 million tons (1.15 billion bushels), only 200,000 tons more than our December estimate. This compares with exports of 31.1 million tons last year. 25X1

[redacted]

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We believe that additional contracts will be cancelled.

11. There seems to be less speculation in the wheat market than a year ago, and therefore, the SOES for wheat now represents a relatively good indicator of export demand.

Table 4

Estimated Demand for US Wheat and Flour Exports, FY 75a/

(In Thousand Metric Tons)

Destination	MY 74	Forecast FY 75 CIA
Western Hemisphere:		
Mexico	704	830
Brazil	1,560	700
Chile	600	600
Colombia	472	300
Peru	490	535
Venezuela	607	540
Central America	299	341
Others	1,145	734
Sub-total	5,877	4,580
Europe:		
USSR	2,725	1,140
Eastern Europe	851	715
EC-9	2,477	2,525
Other West Europe	693	485
Sub-total	6,746	4,865
Asia:		
Japan	3,067	3,200
India	1,620	4,500
Taiwan	849	550
People's Republic of China	3,190	1,595
Korea, South	1,588	1,700
Iraq	459	550
Iran	584	1,700
Israel	449	425
Philippines	385	450
Bangladesh	730	1,100
Indonesia	315	110
Pakistan	544	900
Vietnam, South	119	100
Turkey	329	665
Other	834	905
Sub-total	15,062	18,450
Africa:		
Algeria	1,046	665
Egypt	713	1,000
Morocco	599	800
Nigeria	368	300
Sudan	} 656	155
Others		365
Sub-total	3,382	3,285
Total Wheat	31,067	31,180
Flour and Products	d/	d/
Total Wheat and Flour	31,067	31,180
Unspecified Destination	---	---
Total Wheat (known and unknown destination)	---	---

While some contracts will be cancelled and some purchases delayed to take advantage of lower prices, additional US sales of old crop wheat can be expected in the coming weeks.

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13. Total US inspections of wheat for export in the 1 July 1974 - 4 January 1975 period were running 5 million tons behind a year ago. These data imply an annual rate of export of only 29.2 million tons (excluding flour). During the past six weeks, however, exports have increased over the same period a year ago and are running at an annual rate of over 30 million tons. Larger shipments of wheat and flour can be expected in the next quarter, reflecting recent commercial purchases and fulfillment of delayed PL-480 commitments.

CORN: SUPPLY/DEMAND SITUATION 1974/75

14. The tight world supply/demand situation for feedgrains in 1974/75 has eased somewhat in the last three months. Demand appears to be holding stable, but supplies have expanded. Although world feedgrain production for 1974/75 is estimated to be some 20 million tons below the previous year, February production estimates show a net increase of over 4 million tons from six weeks earlier. Major improvements were 3 million tons in the USSR, 2.8 million in Europe, and 1.2 million in the US. While world demand has not shifted, the distribution among countries has changed and lower prices since December have discouraged some wheat/corn substitutions which we expected earlier. The price decline has been due mostly to a lower than projected US demand for feedgrains. Foreign buyers are absorbing the decrease in US consumption and maintaining feedgrain usuage near 1973/74 levels.

WORLD PRODUCTION OF CORN, 1974/75

15. World production of feedgrains in 1974/75 is now projected to be down by 3.5 percent -- to 563 million metric tons in 1974/75 compared to 584 million tons in 1973/74. Over 16 million tons of the decrease from last year is in the US alone. World production of corn has declined similarly,

with production of the major exporters down by 11% to 142 million tons in 1974/75. Although production in Argentina, South Africa, and Thailand is estimated to be up by nearly 7 million tons, it was not enough to offset a 25 million ton shortfall in the US corn crop. Production in the EC is estimated at 14.6 million tons, a 9% drop from 1973. USSR output also declined by about 1.3 million tons or 10% below last year.

Table 5

Estimated Corn Production of Major Exporters

(million metric tons)

Exporter	1973/74	1974/75
US	143.4	118.1
Argentina	9.9	10.0
South Africa	4.2	11.0
Thailand	2.4	2.4
TOTAL	159.9	141.5

EXPORT AVAILABILITIES

16. Corn export availability will be sharply limited in MY 1975[a/] because of the production shortfall in the US and the low level of beginning stocks. The total export availability of the four major exporters is down by 2.7 million tons (see Table 6). While corn exports of non-US suppliers should

a/ The marketing year (MY) for corn is 1 October - 30 September, unless otherwise noted.

be up by almost 3 million tons barring further transport difficulties, those of the US will be down by nearly 6 million tons. Adding another 2 million tons of corn exports from the EC, Brazil, and Indonesia -- 630,000 tons more than last year -- raises the maximum total export availability to 39.2 million tons compared with last year's 41.3 million tons.

Table 6

Corn Exports of Major Exporters

(million metric tons)

Exporter	MY 74	Forecast MY 75
US	31.5	25.7*
Argentina	5.2	5.7
South Africa	1.2	3.9
Thailand	2.0	1.9
TOTAL	39.9	37.2

WORLD IMPORT DEMAND FOR CORN

17. Worldwide import demand for corn in MY 75 is estimated at 41.8 million metric tons -- a 5% drop from last year. The lower import demand is due mostly to depressed livestock markets and high grain prices. US livestock producers are expected to feed nearly 20% less grain because of the unfavorable ratio of feedgrain prices to livestock prices.

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On the other hand, livestock producers in Europe are now expected to feed about the same amount of grain to livestock as last year. Because of declining US corn prices, the EC will probably feed only about 1.6 million tons more of soft wheat than last year instead of the additional 2.2 million tons expected in December. The USSR has entered the corn market for over 2.5 million tons so far this year. The PRC is expected to cut corn imports -- used for human consumption -- by more than 1.4 million tons due to a good domestic crop and foreign exchange problems.

18. Importing countries are not actively pursuing policies designed to decrease feedgrain usage, so the decrease in overall import demand is due solely to market forces. The USSR is adhering to its goal of producing more meat to upgrade Soviet diets. Japan is supporting domestic livestock prices via meat import restrictions, thus shoring up the demand for imported feedgrains. The EC is protecting its domestic livestock industry by both limiting meat imports and supporting domestic livestock prices. The largest decrease in corn or feedgrain usage seems to be occuring in the US 25X1 where the relatively unprotected livestock industry is badly depressed with no immediate relief in sight. In Europe and Japan the total grain fed to livestock, and in turn import requirements,

could still fall below current forecasts if grain prices strengthen and those for livestock products weaken further.

Foreign Demand for US Corn

19. CIA estimates foreign demand for US corn in MY 75 at 28.2 million tons [redacted] 25X1

25X1 [redacted] Shipments plus outstanding export sales (SOES) to known destinations as of 16 February totaled 32.6 million tons, about 1 million tons more than the US exported in MY 74. [redacted] 25X1

25X1 [redacted]

20. CIA estimates the EC total import needs at 11 million tons of corn -- a drop of almost 3.5% from the 11.4 million tons imported last year. We estimate that the EC will receive 1.4 million tons of corn from Argentina, 1.0 million tons from South Africa and .1 million tons from other sources, leaving 8.5 million tons of corn to be obtained from the US or 14% less than the 9.9 million tons last year. [redacted] 25X1

25X1 [redacted] The EC Commission has estimated total corn imports at 12 million tons with 9 million tons from the US. While we do not foresee the EC requiring more than 11 million tons under present circumstances, EC imports could go as high as 12 million if the price relationship

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DEMAND FOR US CORN EXPORTS,
MARKETING YEARS a/ 1974 AND 1975

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(In Thousand Metric Tons)

[redacted]

Destination	MY 74	Forecast MY 75 CIA
Western Hemisphere:		
Mexico	1,194	1,750
Canada	1,267	1,000
Other	795	900
Sub-total	3,256	3,650
Europe:		
USSR	3,016	1,300
Eastern Europe	908	3,140
East Germany	(152)	(1000)
Poland	(483)	(1000)
Romania	(195)	(975)
Other	(78)	(165)
Economic Community	9,854	8,500
Other West Europe	3,986	3,850
Spain	(2501)	(2000)
Portugal	(492)	(1000)
Greece	(836)	(400)
Other	(157)	(450)
Sub-total	17,764	16,790
Asia:		
Japan	6,382	6,100
Taiwan	305	200
People's Republic of China	1,465	0
South Korea	381	490
Other	463	540
Sub-total	8,996	7,330
Africa:	734	420
Total Corn	31,178 f/	28,190
Products	406	d/
Total Corn and Products	31,584	28,190
Unspecified destination	---	---
Total	---	---

[redacted]

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[redacted]

between imported corn and domestic soft wheat warrants it. [redacted] 25X1

25X1 [redacted] past experience indicates that (1) some contracts will be cancelled, (2) corn from other countries may be used to fulfill the contracts, and (3) part of the grain will be transhipped to other European countries.

21. Total corn import requirements for Eastern Europe are estimated at 3.6 million tons with 3.1 million tons from the US. [redacted] 25X1

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22. Other West Europe has been making purchases recently, apparently taking advantage of falling US corn prices. Spain's SOES now stands at about 2 million tons and Portugal has been purchasing US corn from Romània. We estimate other West Europe demand for US corn at 3.8 million tons [redacted] 25X1

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estimate total corn import demand for the Western Hemisphere to be about 5.5 million tons, including about 3.7 million from the US and 1.6 million from Argentina. Mexico's corn crop has been hurt worse than earlier thought and the Mexicans have already purchased almost 2 million tons of corn, of which nearly 1 million is from the US. We expect Mexico to attempt to purchase another 800,000 tons in the US. Other than Mexico, we expect the increase in Western Hemisphere demand over last year to come from El Salvador, Guatemala, Panama, and Peru.

24. The estimates of both world import demand and US export demand are indicators of market pressures rather than estimates of final exports. Using our estimate of US corn export demand [redacted] US stocks as of 30 September 1975 would be drawn down to 4.2 million tons, equivalent to less than 2.5 weeks domestic use. [redacted]

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Given that the decrease in world corn consumption has been occuring primarily in the US, this result may not be unlikely.

25. Corn moving out of the US began slowly this marketing year but picked up rapidly. US corn exports in the 1 October - 14 February period were 640,000 tons less than in the same period last year but this implies an annual rate of export of 29.5 million tons [redacted] 25X1 25X1 However, this rate can be expected to decline when the southern hemisphere corn crops are available.

APPENDIX A

SITUATION IN SELECTED COUNTRIES

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ALGERIA

Due to a poor harvest in 1973, Algeria imported 1.0 million tons of US wheat and as much as 600,000 tons from other countries in FY 74. A poor harvest again this year (about 850,000 tons) is expected to push total wheat import needs to about 1.7 million tons in FY 75. Although purchases of US wheat have been slow (only 317,000 tons already purchased and shipped) there are rumors that Algeria will make additional large purchases of US wheat, but it is unlikely that more than 1 million tons will be shipped before 1 July. Algeria is expected to import 50,000 tons of corn in MY 75, all from Argentina.

BANGLADESH

We estimate FY 75 foodgrain production at about 11.7 million tons, the same as last year. Although summer floods slightly damaged the late summer rice crop which normally accounts for 25% of production, the flooding improved the major rice harvest starting in November.

We estimate FY 75 foodgrain shipments to Bangladesh at about 2.2 million tons -- including nearly 2 million tons wheat and 250,000 tons of rice. (Imports in FY 74 totaled

1.7 million tons made up of 1.6 million tons of wheat and 100,000 tons of rice.) The projected 2 million tons of wheat shipments could vary by as much as 200,000 tons in either direction depending on the timing of mid-summer shipments. Our total estimate of US wheat exports to Bangladesh includes 600,000 tons under PL-480 and 500,000 tons of commercial purchases.

About half of the total FY 75 imports consists of purchases made possible by cash aid or commercial credit and the other half is food aid. Sizable additional imports will be needed early in FY 76 for distribution in the lean period prior to the major harvest next fall. Bangladesh will remain dependent on aid-financed grain imports for the foreseeable future.

EASTERN EUROPE

We estimate grain production in Eastern Europe* at 74.1 million tons in 1974, compared with 72.7 million tons in 1973. Grain imports during FY 75 are projected at 8.5 to 9 million tons, up from 8 million tons in FY 74. Import demand will be evenly divided between wheat and feedgrains coming from the West. The northern countries -- Czechoslovakia, East Germany, and Poland -- will account for most of the grain imported. However, this year the traditional exporting southern

*Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania.

countries of Bulgaria and Romania will require imports of grain, largely feedgrains, to make up for extradinary harvest shortfalls.

Wheat: The Soviet Union probably will supply about 2.8 million tons of wheat out of a total 4.3 million tons to Eastern Europe. The remainder will have to be purchased from Western Exporters. US wheat exports to Eastern Europe are not expected to exceed 0.7 million tons.

East German requirements are expected to be less than last year because of a bumper grain harvest. Imports of wheat are estimated at 1.0 million tons, almost all supplied by the Soviet Union. An additional 500,000 tons could be imported from Australia under a trade agreement in force since FY 74.

Czechoslovakia had a record grain harvest even though the corn harvest fell well below expectations. Czech import requirements for wheat are now projected at 1 million tons, of which the Soviets will supply about 800,000 tons.

Polish grain production rose to about 22.9 million tons, compared with 21.9 million tons produced in 1973. Total wheat imports may be as high as 1.7 million tons, of which 700,000 tons may come from the West. Major western suppliers will be the US and Canada.

Romania -- normally a large wheat exporter -- faces its second consecutive shortfall in production. Wheat imports from the US of 300,000 tons are probably being used to help satisfy export commitments of as much as 500,000 tons.

Corn: Total requirements for feedgrain imports are larger than earlier projected. Rains first delayed then stalled the harvest of the important corn crop and caused large losses. As much as 3.6 million tons of corn may be imported, the bulk of it from the US.

Poland's potato crop, about 60% of which is fed to livestock, was damaged by excessive soil moisture. With livestock numbers up by more than 5% from a year ago, Poland's corn imports will probably approach 1.2 million tons.

Romania's corn crop fell to 6.8 million tons, 600,000 tons less than last year's depressed output. Last summer Bucharest received $31 million in CCC credits for US grain, of which $6 million was spent on corn. Subsequent open market purchases of US corn may exceed 975,000 tons to meet urgent domestic requirements and to fulfill export commitments in MY 75. Thus, Romania will be a net importer of 500,000 tons of corn.

The level of East Germany's corn imports will range from 1.0 million to 1.5 million tons depending on that country's expectations regarding prices and US export policies. A large

share of the US corn imported by East Germany actually is transhipped through Hamburg and thus may show up on US shipping records as an export to West Germany.

Czechoslovakia's corn crop, about 800,000 tons, fell below expectations and imports may reach 300,000 tons. Unlike past years, most of the corn will be purchased on the world market.

EGYPT

Preliminary data indicate that Egyptian wheat output in 1974 was about 2 million tons, the same as in 1973. Wheat imports in FY 74 amounted to 3 million tons, some of which may have been added to stocks. Egyptian officials estimate wheat import needs in FY 75 at 3.3 million tons. We estimate that imports will reach at least 2.8 million tons of which the US and Australia will each supply 1 million tons, and the EC most of the remainder. As of 16 February, SOES for US wheat amounted to about 570,000 tons, of which nearly 410,000 had been shipped. The US total for FY 75 will include 300,000 tons of PL-480 wheat. In the case of corn, imports of about 250,000 tons rather than the 325,000 tons requested appears more realistic. Imports of grain in excess of these amounts will depend heavily on Egypt's financial circumstances and capability of Alexandria ports to handle more.

Egypt faces a $600 million current account deficit. Therefore, Cairo's total grain purchases, as in the past, will be heavily dependent on the level of Arab aid or credit from wheat suppliers. If such help becomes available, Egypt more likely will import as much as 3 million tons of wheat in FY 75.

INDIA

A serious shortage of foodgrain will persist at least until the 1975 fall harvest. Grain production for FY 75 is estimated at 96-99 million tons, marking the fourth consecutive year India has failed to match the peak year of 1970/71. (Indian government estimates for FY 75 are running several million tons higher than ours, reflecting the optimistic bias characteristic for this time of year.) Because of below normal monsoon rains in 1974, the fall crop is estimated at 58-59 million tons, down from 66.7 million tons the previous year. The spring grain harvest is forecast at 38-40 million tons, compared with 36.9 million tons last spring.

The current situation is analogous to 1973 when widespread food shortages were last experienced. While total grain production could exceed the 97 million tons of FY 73, India is worse off than 2 years ago because:

- government grain stocks on 1 July 1974 were only 4 million tons compared to 9 million tons on 1 July 1972; and

- India has 25 million more people than in 1972.

The government's grain distribution system, which provides subsidized grain to urban and other select deficit areas, is under increasing pressure. In FY 74, 11 million tons were distributed by the government, compared with 11.7 million tons in FY 73. A minimum of 12 million tons will be needed in FY 75 and more in FY 76. Judicious distribution of this grain by the government should reduce the incidence of urban food riots, but will do little to alleviate hunger in many rural areas.

Imports are needed to supplement domestic government procurement and stocks to maintain the government distribution system. To date India has arranged 7.15 million tons of grain imports, as follows:

- 4.1 million tons of commercial US purchases and 300,000 under PL-480;

- 1.06 million tons of EC wheat, including 360,000 as aid;

- 430,000 tons of sorghum and 250,000 tons of wheat purchased from Argentina;

- 520,000 tons of Canadian wheat, including 140,000 tons as food aid;

- 240,000 tons of Australian wheat, including 40,000 tons as grant aid;

- 100,000 tons of Soviet wheat due from last year's grain loan; and
- 150,000 tons from Sweden, of which at least 50,000 is aid.

Another 2-4 million tons will probably be sought for delivery this summer and fall, depending on the amount procured from the spring harvest and the performance of the summer monsoon. To accommodate rapidly growing grain deliveries, New Delhi is expanding use of its smaller ports and importing additional grain unloading equipment.

IRAN

Wheat: Lagging domestic production, combined with an economic boom and surging food demand, is raising Iran's food imports each year. Lack of rainfall during April-June 1974 seriously affected dry-land wheat and a large portion of so-called irrigated wheat. FY 75 production has been revised down to 3.7 million tons, compared with 3.95 million tons harvested in FY 74, and the consumption estimate has been revised upward to 5.4 million tons. In addition, Iran is implementing a sizable stockpiling plan. Iran is in the market for an estimated 2.3 million tons of wheat in FY 75 with possibly 1.7 million tons of that to come from the U.S. In FY 74 the US exported 584,000 tons of wheat to Iran.

Corn: A small percentage of the total supply of corn in Iran is produced domestically. The major portion of the

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balance has historically come from the US. The growing demands of poultry and livestock for feedgrain has increased imports of corn into Iran from a yearly average of 25,000 tons in 1969-72 to about 100,000 tons in MY 74. Corn imports during MY 75 will be about 300,000 tons, including 225,000 tons from the US.

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MOROCCO

Lack of rainfall from May 1974 until mid-January means that Morocco will have a third disappointing agricultural year in a row. Most observers expect this year's crop may be less than 50% of normal and the grain deficit to be on the order of 3 million tons. As a result, wheat imports in FY 75 will be at least 1 million tons, of which 800,000 tons will be from the US. As of 16 February, the SOES to Morocco stood at 719,000 tons. It is anticipated that Morocco will ask for a large amount of PL-480 (Title 1) wheat and possibly make additional commercial purchases in this country.

Donations of wheat in 1974/75 are expected to include 15,000 tons from the EC, and 7,000 tons from Canada. In addition, Morocco apparently expects to get a repeat of last year's 60,000 tons of Title II flour from the US. Also, about 35,000 tons of corn will be imported in 1974/75 (30,000 tons from the US) mostly for the growing poultry industry. Morocco's economic picture is bright, however, because of its increasing foreign exchange earnings -- thanks to its position as the world's largest exporter of phosphates. A moderate surplus in the balance of payments should be recorded this year and continued gains from phosphate experts are expected in 1975.

PAKISTAN

Pakistan has arranged to meet its FY 75 wheat import goal of 1.55 million tons, 550,000 tons more than imported the previous year. The increase is due to the lack of significant improvement in the 1974 spring wheat harvest over 1973 and to apprehension that inadequate moisture during the recent fall planting period will reduce the 1975 spring wheat harvest. Pakistan's FY 75 wheat imports include US shipments of 500,000 tons purchased commerically and 400,000 tons under PL-480. Pakistan will continue to need wheat imports in FY 76 and will again look to the US as its principal supplier.

PEOPLE'S REPUBLIC OF CHINA

The PRC has continued to reduce foodgrain imports from previously planned levels for the current marketing year, but no official explanation for the reductions has been given. Motives for the turnabout in Peking's position probably includes:

- China's foreign exchange position is unusually tight at this time;
- the Chinese grain harvest may have been better than expected earlier.
- the unusually volatile conditions that prevailed in the international grain market in mid-1974 may have caused the Chinese to forward contract for too much grain; and
- possible price adjustment -- the Chinese cancelled contracts for some US wheat which they purchased at about $4.35 per bushel f.o.b. The current price has fallen to under $4.00 per bushel.

<u>Wheat</u>: Total wheat imports probably will amount to about 5.7 million tons in FY 75, compared with 5.9 million tons in FY 74. Sources of wheat this year will be 1.6 million tons from the US, all of which has been delivered, 2.4 million tons from Canada, 1.3 million tons from Asutralia, 0.2 million tons from Argentina, and 0.2 million tons from the EC.

<u>Corn</u>: About 615,000 tons of corn will be imported during MY 75, all from Argentina, representing a 70% reduction from the levels of MY 74.

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USSR

The Soviets harvested 195.6 million tons of grain in 1974, the second highest crop on record and yet a disappointing drop from the 1973 harvest of 222.5 million tons. Last year's wheat output was the smallest since 1969 and corn output fell by 10% despite an increase in acreage of 12%. The harvest was an estimated 5 to 15 million tons short of domestic grain requirements and export commitments. Although the Soviets could have drawn down grain reserves to fill this gap, they decided to import Western grain. They originally contracted for almost 7 million tons of wheat and corn for delivery in FY 75.

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Recently, the Soviets cancelled contracts [redacted]

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Price fluctuations appear to be the main Soviet motivation. The Argentine wheat, bought several years ago at a low price, was sold at a healthy profit. The price paid for the US and Australian wheat last October, on the other hand, no longer looks attractive as world wheat prices have fallen 20%. The cancelled contracts probably were originally bought as a hedge against tight world supplies in 1975 and a shortfall in Soviet

grain output. Moscow apparently feels that it no longer needs this amount in light of good prospects for Soviet winter grain and declining world grain prices.

It is unlikely that the Soviets will substantially change their current import position for MY 75. The bulk of the imports still undelivered are needed to avoid dipping into stocks. The recent cancellations indicate that the Soviets are not planning additional purchases of wheat. However, they may still be in the market for a small amount of corn for their livestock program.

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USSR: Grain Imports, 1974/75

(thousand metric tons)

Supplier	Wheat 1 Jul - 30 Jun	Corn 1 Oct - 30 Sept.
Total	3,320 1/	2,554
United States	1,140	1,303
Canada	800 1/	...
Australia	800	...
Argentina	530	821
Thailand	...	50
Brazil	...	180
Romania	...	200
Hungary	50	...

1/ Includes 400,000 tons purchased by USSR for shipment to Cuba.

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